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Stuart, Henry Harvey

Municipal taxation

[Newcastle, N.B.]

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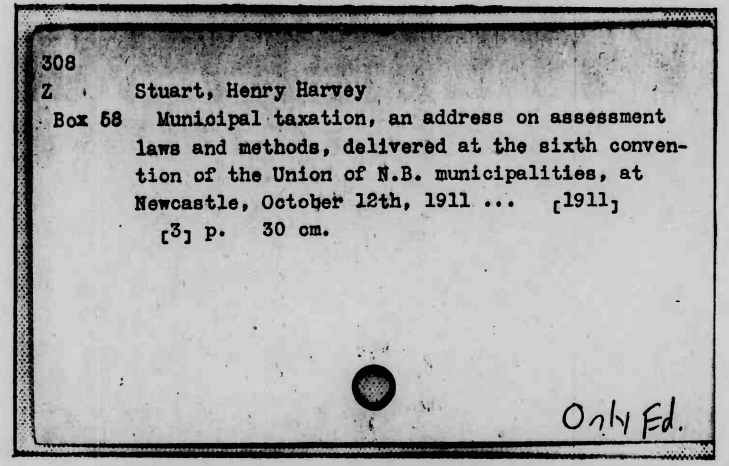
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Municipal Taxation

An Address on

ASSESSMENT LAWS

And METHODS

Delivered at the Sixth Convention of the Union of N. B. Municipalities, at Newcastle, October 12th, 1911

By ALDERMAN HENRY HARVEY STUART,
of the Town of Newcastle, N. B.

Few thoughtful men will contend that the prevailing system of municipal taxation in this country, is fair or reasonable, either in theory or practice. And many who have enquired into it, denounce it as decidedly wrong in principle and vicious in its practical application.

Our municipal taxes are derived from the levy of a certain percentage on the assessed value of land, buildings and other improvements, personal property and income, and from a poll tax.

The rate of taxation on each of these items is the same, and, with one or two exceptions, each county, city and town has to raise one-sixth of its revenue by means of a poll tax.

Allowing for the exemption in most New Brunswick municipalities of the first $200 of income, land, improvements, personal property and income are supposed to be assessed at the full value of each.

Now suppose, for the sake of argument, that the assessors are both honest and capable—that they value correctly and assess properly, without fear or favor—the selling price of land being so much less than that of the improvements thereon, every temptation is offered and facility afforded for speculators to hold land idle, in hope of a rise in price, whereby they can reap a golden harvest from the extra value created for their holdings by the industry of the rest of the community.

The land speculator is no good in any place. His policy is to acquire and hold land in what he considers a growing district and keep it idle until prices go up. Year by year, people settle near it, clear the ground, open up streets, erect buildings and bring trade to its neighborhood. Schools, churches, theatres, railway stations are built near it, and soon his unimproved property becomes most desirable for residences or business purposes, and he is offered for his claim many times more than what he paid for it. Then he sells and pockets the extra value, wholly created by the labor of others — THE UNEARNED INCREMENT, WHICH SHOULD ALL GO TO THOSE WHO CREATED IT, THAT IS, TO THE COMMUNITY.

Not only does the speculator perform no service to the public, but in many instances he positively hinders its progress. His block of land in the middle of a town, held at exorbitant price, compels others to go far out of their way to build in the suburbs, thus necessitating extra streets, extra sewers, miles of extra water mains, electric light and telephone posts and wires, and decreasing the efficiency of police and fire protection.

If the vacant block be held in the country districts, it often lies between two small settlements, forcing them to maintain two small, inefficient schools where, if that block were settled, one good graded school would be possible, and forcing the young men who wish to take up land to leave the vicinity or open up new farms in the backwoods, where miles of new road have to be made by labor which could be better employed, and removing them to an unnecessary distance from markets. In many places to day, farmers are cultivating poor stretches of land and making a bare living, while right alongside of them are tracts of fertile soil held wild and taxed at a merely nominal rate.

The granting of vast areas to those who were neither willing nor able to improve them was the curse of the early days of all the provinces of Canada, and in Quebec and Prince Edward Island special legislation had to be enacted to partially and temporarily remedy the evil. But although the feudal seigneurs of Quebec and the absentee proprietors of the island province were compelled by law to sell their holdings to the actual tenants, no steps were taken in either province to prevent the recurrence of the same evil in a slightly different form; and, while there may be little of the old-fashioned feudalism or landlordism in the country districts of either province, there, as here, the speculator holds land vacant expecting a future profit from the labor of others.

If the assessors had the leisure and the will to faithfully watch each idle piece of land, and, as soon as it was sold at a high price, increase the seller's personal property assessment by that amount, the relief would be but partial, for the great proportion of taxes levied on improvements would keep down the rate on personal property far too low to effectually cope with the speculator.

If our system of taxation is bad in theory it is much worse in practice.

Vacant land, whether in town or country, is generally assessed at a figure considerably below the selling price asked by the owner, thus putting on speculation a premium rather than imposing any restriction. Personal property which consists of stock in trade is often merely guessed at, it being generally noticed that the bigger the business and more influential the owner the less proportion its assessed value bears to its real worth. Where the personal property consists of jewels, plate, automobiles, cash in the bank or invested, it often escapes the assessors' notice altogether or is assessed at a ridiculously low figure. Only a very small percentage of personal property pays any tax at all. Many an assessor, too, while he estimates pretty correctly the annual receipts of the unskilled laborer, the artisan and the salaried man, makes a poor guess at the incomes of those higher up. It is extremely amusing to all except those unfortunates who by their poll and improvement taxes have to make up the loss, to read the modest figures often assessed for income tax on those who are known to spend more in a month than the average worker receives in a year. Again, one man's house, one man's mill, is assessed at full value, while that of another is assessed at one-half, one-third or one-fourth of its value, the rest of the taxpayers having to make up between them for the exemption enjoyed by the favored few.

Among the reasons for the glaring inequalities so often found in assessments are the following:

1 The extremely small remuneration given assessors, which does not offer any adequate reward for capable men to give their services to the municipality, the inevitable consequence being that the assessors give, as a rule, very little time and energy to the work set before them. They prefer, instead of making a thoroughly new and accurate valuation and apportionment, to follow in the foot steps of their predecessors, taking off a little here and adding a little there but in no material way changing the iniquitous result.

2 That in all or most municipalities —all in this province—there is a provision rendering a man ineligible for the position of Mayor or Alder man, Warden or Councillor, unless he is assessed on so much real or personal property—in some towns a man can not even vote unless he holds property. THUS, TAXATION WITHOUT REPRESENTATION, against which England rose in revolt in 1642 and the United States in 1775, IS STILL, IN THIS TWENTIETH CENTURY, THE COMMON THING IN OUR MUNICIPAL SYSTEM. Now the Councils, composed almost entirely of the propertied class,—which class has always been the most tenaciously oldfashioned and conservative, opposed to economic and political progress — appoint the assessors Naturally the assessors are men after the image of those who appoint them and, whether consciously or unconsciously no difference as to the result, too often look with closed eyes upon the rights and listen with closed ears to the appeals of the unrepresented part of the population

HOW TO IMPROVE THE SYSTEM

The foregoing are some of the defects of the prevailing system of taxation. How can that system be improved?

At least two of the defects of the system can be done away with by taking off—suddenly or as gradually as the people will—the taxes on improvements, personal property and income, and abolishing or reducing the poll tax as may seem good, and raising the revenue thus lost, by an increased tax on land values.

Why should the land alone be taxed, and not improvements, personal property and income? A man's income, if rightfully obtained, is the sum of his earnings, and THE WORKER HAS THE RIGHT TO THE UNMOLESTED POSSESSION AND ENJOYMENT OF THE FULL PRODUCT OF HIS TOIL. A man's personal property and improvements represent his savings and, granted that he earned the money in the first place he alone is entitled to its possession and enjoyment. (If wealth is obtained by fraud and oppression, as doubtless much of it is, this is another question for the body politic to consider. Its solution is simple, but lies outside the purview of the present consideration). The land, on the other hand, being necessary to the support of all and not being produced by the labor of any, is rightfully the joint property of all, and should therefore be made to pay the taxes of all. For the individual use—not ownership—of land the individual should pay the community whatever the community judges to be right. And everyone will admit that the more land one occupies the more taxes he should pay and the less he occupies the less he should pay.

Again, as already stated, it is a fair proposition that EVERYTHING A MAN CREATES BY HIS OWN LABOR IS RIGHTFULLY HIS AND THE LAW SHOULD SECURE IT TO HIM. If a man settles in the wilderness and transforms twenty five or fifty acres of comparatively unproductive soil into gardens, orchards and fields of grain, who but himself has any right to the increased value of that land created by the working of his own hand and brain? If a neighbor, with equal opportunity, creates only half as much value, why should the former be taxed more than the latter, their holdings and opportunities having been equal? Why should the personal property bought and improvements made by the first man with the gains of his labor be taxed a greater sum than the less valuable property accumulated by the second? Why should the first man's income be taxed more than the second man's? Better tax the land values only, and let the values created by the tenants go free.

It would be manifestly unfair to tax all land at the same rate. The relative fertility, accessibility and desirability of the land must be taken into account. Land within a mile of a railway station is, other things being equal, much more valuable than that ten miles away. Meadow land is worth more than stony hillside; mining land than woodland, and so forth.

So also, in a town or city, certain blocks are by virtue of their situation much more valuable than others and should be taxed at a higher rate. Not only are some blocks more valuable than others, but corner lots are generally more valuable than any other in the same block, and the deeper a lot of a certain frontage the more valuable.

After the valuation of each district is ascertained, then the holders of equal areas in the same districts should pay equal taxes. The man who holds his land vacant should pay the same taxes as he who covers his with buildings or crops.

THE BENEFITS.

What benefits would be derived from the system of taxing land values only?

At least two.

1.—The taxation of land values only would tend to do away with speculation in land, for few or none (were the taxes high enough) could then afford to hold land idle. The taxes would be so heavy that the owner would be compelled to immediately put his land to use or sell it to someone who would improve it. Vacant land being thus forced upon the market, men desirous of obtaining land on which to build warehouses or homes could purchase it much more cheaply than at present, and thus more easily shake off THE INCUBUS OF LANDLORDISM, WHICH IS FAST REDUCING THE PEOPLE OF THIS COUNTRY TO THE STATUS OF THE PEASANT AND LABORER OF EUROPE AND ASIA.

2.—The tax on land values only would simplify the task of collecting taxes. No one could then escape his taxes. He could not hide nor misrepresent his land. The assessors would have no choice in the matter. The holder of so many square feet or so many acres would have to pay so much, and all the world would know as well as himself just what he should pay. If he failed to pay, is land would be there as ample security. But under our antiquated and worn-out system, much of the taxes levied is never collected. Many make false entries regarding their income or personal property, and the value of improvements is fixed according to the judgment of assessors upon whom, as we have seen, a multitude of influences can be brought to bear. Also, because of OUR INIQUITOUS ECONOMIC SYSTEM THAT COMPELS MEN TO LEAVE THEIR FAMILIES AND WANDER HITHER AND THITHER FOR WORK, which they sometimes find and often don't, much of our poll tax is evaded and lost.

So when the collection of a land tax is so simple and easy, why bother with those forms of taxation that are so uncertain, so difficult to fix, and so hard to enforce?

I do not claim—FOR IT IS NOT—that the system of taxation here advocated is a panacea for the financial ills of the country; but two things are certain, viz., that the raising of taxes from land values only will tend to rapidly eliminate the speculator in land values and will make the collection of taxes a much more simple and satisfactory operation than it is at present or ever has been in this country FOR THESE TWO REASONS IT IS WORTHY OF A TRIAL.

In adopting the method of raising taxes from land values only, CARE SHOULD BE TAKEN TO SECURE TO EVERY CITIZEN EQUAL POLITICAL RIGHTS. Every naturalized resident of a municipality should be a voter therein, and also eligible for election as Alderman, Mayor or County Councillor, regardless of what property of any kind he holds or does not hold. If he pays no taxes directly the landlord and others will see to it that he pays enough indirectly. Therefore, as every British citizen residing in New Brunswick has a vote at Provincial and Dominion elections, and is also eligible as a candidate for the House of Assembly and House of Commons, without being subjected to any property qualification, so should every British citizen residing in a municipality be entitled to all the rights and privileges of the most favored.

As these ideas are new to many people and as undue haste is always to be deprecated, this Union should not ask the Legislature to at once compel all municipalities to restrict taxation to land and abolish all property qualification for voting and holding office, but should merely demand from it the right for all municipalities to regulate, for the present at least, such matters for themselves. Such permission being obtained, each municipality could fight the question out for itself, and advance as rapidly or as slowly as the majority of its people should decide. IN ALL CASES LET THE PEOPLE RULE.

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